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FISCAL IMPACT STATEMENT

LS 6642

BILL NUMBER: SB 207

NOTE PREPARED: Mar 27, 2003

BILL AMENDED:

SUBJECT: Brownfield Definition.

FIRST AUTHOR: Sen. Gard

FIRST SPONSOR: Rep. Bottorff

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill eliminates the condition that a parcel of real estate, to be a brownfield, must be industrial or commercial.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) Expanding the types of parcels of real estate that may qualify as a brownfield may expand the number and types of entities that are eligible to receive financial assistance through the Environmental Remediation Revolving Loan Fund as well as expand property that could qualify for brownfield revitalization zone tax abatement. The specific fiscal impact is indeterminable.

Broadening the definition of "brownfield" would expand the universe of properties that would be eligible to apply to IDEM and IDFA for technical and financial assistance (e.g., grants, loans, Brownfield Environmental Assessments (BEAs), and Comfort/Site Status Letters). Without additional funding, increasing the number of eligible sites will increase competition for grants and loans through the Environmental Remediation Revolving Loan Fund, so it is not likely to affect the number of grants and loans that are issued. If IDFA were to experience an increase in the number of properties that apply for Environmental Remediation Revolving Loan Fund grants and loans as a result of broadening the definition of "brownfield," then IDEM would in-turn receive additional requests for issuing Comfort Letters and Site Status Letters. Also, an increased competition for grants may result in IDEM receiving additional BEA applications. While the BEAs are currently not competitive, if IDEM received an increase in BEA applications, IDEM may not be in a position to increase the number of BEAs and would have to prioritize requests unless additional funding would be available.

Background Information: IC 13-19-5 establishes the Environmental Remediation Revolving Loan Fund and Program to assist in the remediation of brownfields to encourage the rehabilitation, redevelopment, and reuse of real property by political subdivisions by providing loans, forgivable loans, or other financial assistance to political subdivisions to conduct any of the following activities:

- (1) Identification and acquisition of brownfields within a political subdivision as suitable candidates for redevelopment following the completion of remediation activities.
- (2) Environmental assessment of identified brownfields and other activities necessary or convenient to complete the environmental assessments.
- (3) Remediation activities conducted on brownfields.
- (4) The clearance of real property in connection with remediation activities.
- (5) Other activities necessary or convenient to complete remediation activities on brownfields.

The fund consists of:

- (1) Appropriations made by the General Assembly;
- (2) Grants and gifts;
- (3) Repayments of loans and other financial assistance;
- (4) Proceeds from the sale of loans and other financial assistance;
- (5) Interest, premiums, gains, or other earnings on the fund;
- (6) Money transferred from the Hazardous Substances Response Trust Fund.

The fund is administered by the Indiana Development Finance Authority. The Budget Agency is responsible for evaluating the financial ability of a political subdivision to pay a loan or other financial assistance and comply with terms of the financial assistance agreement. IDEM evaluates the technical aspects of the political subdivision's environmental assessment of potential brownfield properties and the remediation.

The program began with an initial \$10 M fund capitalization with a subsequent \$5 M addition to the fund appropriated by the Indiana General Assembly in 1999.

Grants and low-interest loans from the Fund are available to cities, towns, and counties. Grants of up to \$50,000 are available for environmental site assessments, and low-interest loans (2.5% to 3.0%) are available for remediation, selective demolition, and additional assessment. Brownfield sites that either have underground storage tanks (UST) or are located within one-half mile of a school or licensed child care facility may qualify for a forgivable loan of up to 20% of the total loan amount. Grant awards are available for use at UST sites where the tanks have been pulled or in conjunction with a tank closure. Underground storage tank sites are a priority for the low-interest partially forgivable loan program. Loans consist of an 80% loan/20% forgivable loan.

Since January 1998, the Brownfield Loan Fund has provided over 93 grants and 12 low-interest loans. Over 70 communities have received over \$2.21 M for brownfield investigations and over \$5.85 M for brownfield remediation.

In CY 2002, approximately \$500,000 in grants for site assessments will be awarded.

Explanation of State Revenues: The proposal could affect parcels that qualify for a brownfield revitalization zone tax abatement. Qualifying property could receive a property tax deduction which would decrease assessed value. A decrease in assessed value would redistribute the affected property tax to all taxpayers. The state would also experience a decrease in revenue generated by the \$0.0034 state property tax. However, redevelopment of the brownfield could ultimately result in an increase in assessed value for

the property and surrounding properties if the value of the property is increased due to the revitalization of the brownfield. (State property tax replacement would not be affected.)

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues could be affected to the extent that expanding the types of entities that qualify could result in a different distribution of the revenue in the fund. Additionally, changes in the definition of property that could qualify as a brownfield may affect local assessed value totals; however, any changes in assessed value will simply shift the tax burden without affecting the levy.

State Agencies Affected: Indiana Development Finance Authority, IDEM, and the Budget Agency.

Local Agencies Affected: Local units of government interested in brownfield redevelopment.

Information Sources: Background information on the fund provided by IDFA.

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